

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-10
NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 IO-13 NSC-05 SS-15 STR-07
CEA-01 PA-01 AGRE-00 /105 W
-----050977 021456Z /64

P R 021330Z JUNE 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 2170
INFO AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMCONSUL ADANA
USDOC WASHDC

C O N F I D E N T I A L ANKARA 4193

E.O. 11652: GDS
TAGS: EINV, TU
SUBJ: CORN PRODUCTS CORP. (CPC) INTERNATIONAL TO DIVEST ITSELF
OF TURKISH INVESTMENT

REF: ISTANBUL A-6, MAY 10 1978

1. M. WAHBY, GENERAL DIRECTOR, BESIN VE MISIR SANAYI AS, A CPC
SUBSIDIARY, CALLED AT EMBASSY ON MAY 31 TO INFORM US THAT CPC
HAD BEEN OFFICIALLY NOTIFIED BY TURKISH MINISTRY OF FINANCE
THAT IT MUST DIVEST ITSELF OF EQUITY IN BESIN VE MISIR WITHIN
90 DAYS OR FACE LIQUIDATION BY THE GOT. NINETY-DAY PERIOD
EXPIRES ON JULY 10. WAHBY SAID CPC WAS NEGOTIATING WITH ITS
MAJOR PARTNER, TRANS TURK HOLDING, TO SELL ITS 50 PERCENT
SHARE; IT WAS VIRTUALLY CERTAIN THAT DEAL WOULD BE CONCLUDED
BY DEADLINE. TRANS TURK, WHICH NOW HAS 30 PERCENT, WOULD
THEN BECOME HOLDER OF 80 PERCENT OF EQUITY IN VENTURE, WITH
REMAINING 20 PERCENT IN HANDS OF SMALL SHAREHOLDERS. WAHBY
SAID CPC WOULD INCUR LOSS OF ROUGHLY ONE MILLION DOLLARS IN
TRANSACTION.
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2. WAHBY ALSO SAID THAT CPC WOULD RETAIN A PRESENCE IN BESIN
VE MISIR FOR CONSIDERABLE FUTURE PERIOD. TRANS TURK "NEEDED HELP",
HE SAID, AND WAS INSISTING ON TECHNICAL ASSISTANCE AGREEMENT WITH
CPC VALID OVER NEXT 3-5 YEARS AS PART OF ARRANGEMENT. CPC
WOULD ALSO CONTINUE TO ROLL OVER EXISTING \$4.5 MILLION CONVERTIBLE

LIRA DEPOSIT, PROCEEDS OF WHICH WILL BE USED TO EXPAND UNDER-CAPITALIZED TURKISH FIRM. WAHBY HIMSELF EXPECTED TO REMAIN IN TURKEY TO THE END OF HIS NORMAL TOUR, WHICH WE UNDERSTAND IS END OF 1978.

3. REASON FOR MINFIN NOTIFICATION TO CPC WAS, OF COURSE, FACT THAT FIRM WAS OPERATING IRREGULARLY UNDER DECREE NO. 17 AS RESULT OF STATE COUNCIL CANCELLATION OF ITS LAW NO. 6224 INVESTMENT AUTHORIZATION SOME YEARS AGO. CPC'S LONG FIGHT FOR "RECONSIDERATION" OF THIS DECISION (STATE COUNCIL DECISIONS ARE TECHNICALLY NOT SUBJECT TO APPEAL) WAS DEFINITELY LOST WITH ANOTHER RECENT NEGATIVE DECISION, AND U.S. MANAGEMENT HAD APPARENTLY DECIDED TO CUT ITS LOSSES AND MOVE OUT. IMPOSSIBILITY OF MEETING GOT REQUIREMENT THAT 25 PERCENT OF VALUE OF FIRM'S OUTPUT IN TURKEY BE EXPORTED ALSO PLAYED A ROLE -- WAHBY SAID NO MORE THAN TWO OR THREE PERCENT WAS POSSIBLE UNDER PRESENT PRODUCTION-COST CONDITIONS WHICH PREVENT COMPANY FROM BEING COMPETITIVE ABROAD.

4. IN RESPONSE TO QUESTION, WAHBY SAID HE DID NOT BELIEVE MINFIN ACTION REFLECTED CONCERTED EFFORT AGAINST FOREIGN INVESTMENT IN TURKEY BY ECEVIT GOVERNEMENT. CPC'S DIFFICULTIES HAD SPANNED A PERIOD OF SEVERAL GOVERNMENTS. HE DID BELIEVE, HOWEVER, THAT PRESENT GOVERNMENT WAS MORE RECEPTIVE TO THE KINDS OF PRESSURES APPLIED BY CPC'S COMPETITORS, AND QUICK ACTION AGAINST THE FIRM WAS THUS EASIER TO OBTAIN.

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5. WAHBY MUSED AT SOME LENGTH ON REASONS FOR CAMPAIGN AGAINST CPC. OF NINE OR TEN TURKISH COMPETITORS ONLY THREE OR FOUR OF SMALLER ONES HAD ACTIVELY LOBBIED AGAINST CPC, EVENTUALLY WITH SUCCESS. LARGER INTERESTS, SUCH AS KOC, SABANCI AND EVEN STATE-RUN SEKERBANK HAD UNDERSTOOD STIMULUS TO LOCAL DEVELOPMENT CPC COULD BRING TO MARKET. HE SAID CPC HAD HAD THEIR SYMPATHY IF NOT SUPPORT. OTHERS SIMPLY WERE RESISTING COMPETITIVE THREAT PERCEIVED FROM CPC TO THIS NON-INNOVATIVE TURKISH INDUSTRY.

6. COMMENT: FOREGOING SHOULD PROBABLY BE TREATED WITH SOME CAUTION FOR TIME BEING, INASMUCH AS CPC'S DIVESTITURE IS NOT YET ACCOMPLISHED FACT, THOUGH HIGHLY PROBABLE. DEPARTMENT MAY IN FACT WISH TO CONFIRM WAHBY'S VERSION WITH PARENT COMPANY HEADQUARTERS IN U.S. IN ANY EVENT CLIMATE FOR FOREIGN INVESTMENT IN TURKEY, NEVER ESPECIALLY SALUBRIOUS IN RECENT YEARS, IS CONTINUING TO DETERIORATE.

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA04193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: n/a
Expiration:
Film Number: D780231-0449
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806111/aaaafnwx.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: dd294f7e-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ISTANBUL A-6
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2175859
Secure: OPEN
Status: <DBA CORRECTED> srp 970825
Subject: CORN PRODUCTS CORP. (CPC) INTERNATIONAL TO DIVEST ITSELF OF TURKISH INVESTMENT
TAGS: EINV, TU, CORN PRODUCTS COMPANY
To: STATE INFO ADANA MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/dd294f7e-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014